

[REDACTED]

[REDACTED]

[REDACTED]

MAY 14 1982

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(6) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

Your purposes are "to provide for maintenance, preservation and architectural control of the commercial lots, building sites, and common areas within [REDACTED] and to promote the health, safety and welfare of the occupants within said development and any additions thereto..." [REDACTED] is a [REDACTED]-acre area with [REDACTED] lots ranging from [REDACTED] to [REDACTED] acre and a common area of about [REDACTED] acre.

The owner's association has not reached a fully operational stage because not all of the lots have been sold, and the buildings have not been erected on all the lots presently sold. The lots are being sold by the [REDACTED]. Every person or entity who is the record owner or contract purchaser of a lot or building site which is subject by covenants of records to assessment by the Association, shall be a member of the Association. Membership in the Association will be a condition of the sale of a lot. Record owners who sell their property on contract will simultaneously relinquish membership to the contract purchaser.

All owners or contract purchasers, with the exception of [REDACTED], shall be entitled to one vote for each lot or building site owned. [REDACTED] shall be entitled to three votes for each lot or building site which it owns for the purposes of resale. The Company's votes will be reduced to one vote per lot or building site when [REDACTED] of the [REDACTED] lots are occupied by owners other than by [REDACTED], under an occupancy permit issued for a completed structure by the City of [REDACTED].

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR. NAME	[REDACTED]						
DATE	5/5/82						

The Association's only source of funds are fees received from the owners of lots within the plaza. The membership fees will be established by annual budget review to cover the cost of services. The Association's services will include all ground care, parking lot and sidewalk sweeping, lawn mowing, shrub pruning, etc.

The Association will also review and control new site design.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of nonprofit business leagues, chambers of commerce, real estate boards, or boards of trade, not organized for profit and no part of the net earning of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 73-411, 1973-2 C.B. 180, holds that a shopping center merchant's association whose membership is restricted to and required of the tenants of a one-owner shopping center which is their common lessor, whose members represent businesses in a single one-owner mall rather than a community, and whose members also operate it to deal with matters pertaining to the landlord and tenant relationship at the mall, does not qualify as a business league or chamber of commerce under section 501(c)(6) of the Code.

The merchant's association serves in part as a means for communication and exchange of views between the owner and the tenants of the center on matters relating to their tenant-owner relationship, and in part as a cooperative or governing body for developing and enforcing rules regarding the maintenance and policing of the shopping areas, hours of business, and similar matters of common concern to the tenants and the owner.

In Revenue Ruling 78-225, 1978-1 C.B. 159, a nonprofit organization that is operated to promote the common business interests of its members was held to be exempt under section 501(c)(6), even though a majority of its members' businesses are located in one particular shopping center, because (1) membership is voluntary and open to all businesses in a neighborhood community, (2) it is operated to improve the business conditions of a community rather than a single one-owner mall, and (3), it is not involved in tenant and landlord matters relating to the shopping center.

[REDACTED]

Your organization is similar to that in Revenue Ruling 73-411 in that membership in your Association is compulsory and restricted to the purchasers of the lots in [REDACTED] owned by one private business, the [REDACTED] Company. Your main concerns are matters pertaining to the member's relationship with the Plaza owner and the cooperative management and voice regarding the development of the Plaza. You are, therefore, designed to facilitate the Plaza owner's management, control, and orderly development of the Plaza. Furthermore, by providing landscape maintenance, you are providing a particular service to your members, a factor which would preclude exemption under section 501(c)(6).

You are not a business league as defined in section 1.501(c)(6)-1 of the income tax regulations, because your membership is not structured and your activities are not directed to promoting the common business interests of a particular industry or business lines. Neither are you a chamber of commerce or a board of trade whose membership are not restricted and whose efforts are directed at promoting the common economic interests of all the commercial enterprises as a whole in a designated broader community.

Accordingly, it is held that you are not entitled to recognition of exemption from Federal income tax under section 501(c)(6) of the Code. You are required to file Federal income tax returns on Form 1120 for each year you have been in existence.

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with the Office of Regional Director of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at our Regional office or, if you request, at any mutually convenient District office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

[REDACTED]
Acting District Director

Enclosure: Publication 892